ECONOMIC

INNOVATION

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TECHNOLOGY

COUNCIL

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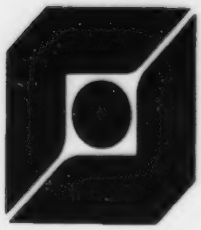
# Economic Innovation and Technology Council

## Annual Report

## 1999 - 2000



Economic Innovation and Technology Council
Annual Report
1999/2000

This publication is also available electronically on EITC's Web-site at www.eitc.mb.ca.

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# Letter of Transmittal

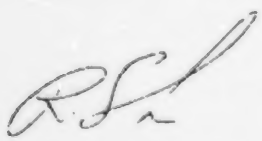
July 31, 2000

To the Honourable MaryAnn Mihychuk
Minister responsible for the
Economic Innovation and Technology Council
358 Legislative Building
450 Broadway Avenue
Winnipeg, Manitoba
R3C 0V8

May it Please Your Honour:

I have the privilege of presenting the Annual Report of the Economic Innovation and Technology Council for the year ending March 31, 2000.

Respectfully submitted,



Bob Silver
Chair of the
Economic Innovation and Technology Council

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## Economic Innovation and Technology Council

**Council Members**

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**Serena Kraayeveld** (Vice-Chair), Tax Managing Partner, PricewaterhouseCoopers
**Dr. Dennis Anderson**, President and Vice-Chancellor, Brandon University
**Leonard Asper**, President and Chief Executive Officer, CanWest Global Communications Corp.
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**Arthur Fast**, President and Chief Operating Officer, Edge Networks Corp.
**David Graves**, Chairman and Chief Executive Officer, Centara Corporation
**Lee Jebb**, General Manager, Brandon Chamber of Commerce
**Charron Kerr**, General Manager, Videon
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**Derek Mazur,** President, CREDO
**Sandra Métraux**, Senior Vice-President of Strategic & Corporate Marketing, Investors Group
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**David Romanow**, President and Chief Executive Officer, Roman Equipment Service (1973) Ltd.
**David Shaw**, President, Standard Aero
**Merrill Shulman**, President, Integrated Messaging Inc.
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**Dr. Emőke Szathmáry**, President and Vice-Chancellor, University of Manitoba
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**Martin Weinberg**, President and Chief Executive Officer, Loring Ward Investment Counsel Ltd.

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**Bob Silver** (Chair), President, Western Glove Works
**Serena Kraayeveld** (Vice-Chair), Tax Managing Partner, PricewaterhouseCoopers
**Doneta Brotchie**, Senior Vice-President, Central Prairie Region - CIBC
**Mary Dixon**, President, Peguis Publishers (Retired)
**David Graves**, Chairman and Chief Executive Officer, Centara Corporation
**David Romanow**, President and Chief Executive Officer, Roman Equipment Service (1973) Ltd.
**Peter Siemens**, President/Manager, Leisure Travel Vans

**Invest Manitoba Steering Committee Members**

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**Kevin Hooke**, Vice-President (Corporate Finance), Wellington West Capital Inc.
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**Jack Peterson**, Strategic Innovations Inc.
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**Philip Sheps**, Representative, Winnipeg Chamber of Commerce
**Steven Stang**, Representative, Manitoba Chamber of Commerce
**Len Trotter**, Senior Manager - Emerging Markets, Business Development Bank of Canada
**Thomas Waitt**, Senior Vice-President, Nesbitt Burns

**Science and Technology Standing Committee Members**

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**Dr. Ralph Bullock,** Vice-President, Engineering & Quality, Bristol Aerospace Limited (Retired)
**Dr. Ron Humble**, Policy Advisor, Industry, Trade & Mines
**Dr. Jim Jamieson**, Dean of Science, University of Manitoba
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**Dr. Ben Levin**, Deputy Minister, Education & Training
**Dr. Jasper McKee**, Director of Accelerator Centre, Department of Physics
**Dr. W. R. Scowcroft**, Director, Grain Research Laboratory, Canadian Grain Commission
**Dr. Ian Smith (Co-Chair),** Director General, Institute for Biodiagnostics, National Research Council of Canada
**William Smith**, Regional Director – Prairies, Industrial Research Assistance Program (IRAP), National Research Council of Canada

**Staff**

**John Clarkson**, Vice-President
**Erica Bruce**, Project Manager
**Arlene Elendiuk**, Administrative Support
**Thomas Penner**, Project Manager
**Margaret Powell**, Administrator
**Leah Sinclair**, Administrative Support
**Christina Weise**, Research Assistant

## Message from the Chair

In 1999/2000 the Economic Innovation and Technology Council continued to focus on achieving its goals and ensuring that science and technology, research and development and innovation continue to support economic development in Manitoba.

Events like the Invest Manitoba *Venture Showcase*, the Manitoba Investment Forum and the Invest Manitoba *Art of Raising Capital* educational series provide Manitoba companies and investors with the opportunity to create strategic alliances. By building these relationships, Invest Manitoba provides benefits to all Manitobans through the creation of an entrepreneurial climate, the growth of Manitoba-based businesses, and the creation of new jobs.

This year, the Manitoba Network for Science and Technology (MindSet) continued to inform and excite students, educators and business people in Manitoba about opportunities in science and technology. MindSet increased the number of year-round events and partnered with Pasteur Mérieux Connaught Canada and the Planetary Society to provide Manitoba's students with exciting hands-on learning opportunities.

EITC also worked to ensure that Manitoba has a positive climate for innovation. The Council continued to work with other western provinces to develop policies to support technology commercialization, and research and development and to decrease skill shortages in western Canada.

EITC also supported initiatives aimed at ensuring that Manitobans have access to technology. These included the Manitoba Centre of Knowledge, Smart Winnipeg, and the Manitoba Smart Network.

Each of EITC's initiatives support innovation in Manitoba's economy, whether by encouraging stakeholders to work together, by creating an entrepreneural climate, or by encouraging innovation in education and training. These initiatives enhance Manitoba's system of innovation and in turn enrich the quality of life for all Manitobans.

I want to take this opportunity to thank the members of EITC and its committees for volunteering their time and providing valuable input and advice. As community leaders in Manitoba, your efforts through EITC have made Manitoba a better place to live, work and do business.

Bob Silver
Chair

## Mandate, Mission and Goals

The Economic Innovation and Technology Council (EITC) was established by the Economic Innovation and Technology Council Act on September 1, 1992.

**EITC'S MANDATE IS TO:**

- Advise the government on all aspects of innovation and the development and commercialization of technology
- Recommend a long-term course of action designed to stimulate innovation and technology commercialization
- Generate prosperity by encouraging investment in innovation and technology
- Serve as an innovation broker for personnel, ideas and research
- Facilitate technology transfer between multi-stakeholders.

EITC is the Province's private sector advisory council on economic development and innovation and serves as an interface among government and stakeholders from business, industry, institutions and academia. It acts as a catalyst for partnerships and alliances for increased economic development through innovation.

**THE COUNCIL'S MISSION IS:**

*"To promote and enhance a climate of innovation, entrepreneurship, and technological development that spurs responsible economic development for the benefit of all Manitobans."*

**EITC'S FIVE GOALS**, essential to the fulfilment of its mission and mandate, are:

1. To get stakeholders to work together
2. To facilitate the development and commercialization of technology
3. To position Manitoba as a world-class environment for economic innovation
4. To create an entrepreneurial climate
5. To encourage innovation in education and training.

## Meeting our Goals

***EITC is getting stakeholders to work together.***

### Community Economic Development Forum

Several years ago, The Conference Board of Canada formed the Community Economic Development (CED) Forum Committee to bring together corporate, government and not-for-profit organizations to discuss and share information in this area. This committee holds regular meetings across Canada to gain an understanding of what Canadians are doing to facilitate community economic development. On Friday, October 15, 1999, EITC co-hosted the meeting where the CED Forum Committee and invited guests heard from provincial leaders as they discussed their community economic development initiatives and best practices. Speakers discussed their experiences in job and wealth creation through community economic development initiatives.

### Manitoba Information Technology Industries Committee

In April 1998, the Economic Innovation and Technology Council (EITC) issued *"Looking to the Future...A Manitoba Report by the Emerging Skills Needs Task Group."* The report outlined issues related to skill shortages in the Manitoba's information technology (IT) sector, and recommended actions. One recommendation was the formation of an IT industry sector committee to identify and refine human resource issues, and to develop implementation plans, including training initiatives.

The Manitoba Information Technology Industries Committee - MITI was formed in September 1998 with the purpose to:

- Identify the human resource needs for the sector;
- Develop a multi-year human resource needs plan;
- Identify training needs for IT employees, existing and prospective;
- Attract and retain qualified IT professionals; and,
- Facilitate positive educational changes.

The following is a list of some of the Committee's activities in 1999:

- Education Review - The Committee reviewed the supply and capacity of Manitoba educational institutions that produce graduates from two to four-year programs. The findings identify strengths and issues related to ameliorating Manitoba's IT worker skill shortage at the post-secondary level. Positions most in demand are project managers, technical architects, programmers and analysts. The report's recommendations included increased targeted government funding for IT programs, establishing advisory councils for IT programs and incorporating problem solving and communications skills into the programs.

- Education and Training Subcommittee - A subcommittee was established to look at the training issues for existing and new workers. The first training initiative to be approved by the subcommittee is an Online Business Systems program to train IT professionals seeking to advance their skills and knowledge. Manitoba Education and Training provides funding for this program.

- Computer Science Development Plan (University of Manitoba) - Faculty and administrators from the University of Manitoba, industry representatives from MITI and staff from EITC formed a subcommittee to develop a *joint* Computer Science Development Plan for the Department of Computer Science. The plan will double the number of graduates to 285 by 2005, improve the skill level of the graduates, ensure the department has sufficient staff and build relationships between industry, education and the Department of Computer Science. The

Council on Post-Secondary Education approved funding for the four-year plan.

- Information Technology (IT) Career Awareness and Planning Campaign - The purpose of the initiative is to provide materials to students and parents on the careers and opportunities available in IT. The campaign was kicked-off at the Rotary Career Symposium on April 4, 2000. EITC provided funding of $50,000 from the EIT Fund for the project.

### Post-Secondary Education Forum

On November 3, 1999, a group of 85 invited guests attended a forum on the future of post-secondary education in Manitoba. The purpose of the forum was to bring together stakeholders to develop a vision for Manitoba's post-secondary institutions based on the theme "Preparing Manitobans to take advantage of the Knowledge-Based Economy." EITC and the Manitoba Innovation Network (MIN) hosted the forum.

Participants identified the top actions on which it is important to take action in the next two years. Following is a list of the top six actions:

1. Foster enduring multilateral collaborations and partnerships among business, education government, and non-governmental organizations to create an environment committed to developing a knowledge economy.

2. Develop a comprehensive strategy to meet the education and training needs of and minimize the barriers (financial, geographic, technical and skill level) to post-secondary education for all Manitobans (especially Aboriginal Peoples and other marginalized groups) in order to increase their opportunities for economic and social well being in the knowledge economy. The strategy includes the use of distributed learning technologies.

3. Develop a provincial economic strategy that will support the growth and development of the knowledge economy to ensure an employment base for Manitobans.

4. Gain a commitment from government as to the long-term vision for the education and training system in order to bring greater continuity to the system.

5. Ensure that the post-secondary education system is able to adjust the supply of training and education (i.e. capacity, physical space, delivery methods, programs, qualified instructors) to meet the demands of students, the workforce and industry.

6. Ensure the post-secondary education system supports the life-long learning needs of Manitobans.

Three Task Groups were established to provide additional input and develop implementation plans on the issues of multilateral collaborations, accessibility and flexibility. These reports are now available.

### Manitoba Century Summit

The Manitoba Century Summit was held March 14 and 15, 2000 to bring together leaders from Manitoba business, labour, community and government together to discuss strategies to expand economic opportunities and future prosperity in the province.

***EITC is positioning Manitoba to be a world-class environment for economic innovation.***

## Smart Communities

Smart Communities is a program created and administered by Industry Canada to help Canada become a world leader in the development and use of information and communication technologies for economic, social and cultural development. Three communities (Brandon, Winkler and Winnipeg) and one Aboriginal community (Island Lakes First Nations) in Manitoba were short-listed as possible demonstration projects. EITC provided support to SMART Winnipeg in development of their business plans and also facilitated discussions between the short-listed projects and Province of Manitoba.

Following is a description of the Manitoba Smart Network, selected as Manitoba's demonstration project and Smart Winnipeg, an ongoing organization dedicated to make Winnipeg a "Smart City".

***The Manitoba Smart Network (MSN)*** is the creation of a regional Manitoba community network with links to urban Manitoba communities in order to provide a lifestyle that is productive and sustainable. A fiber optic network will connect the communities of Brandon, Minnedosa, Neepawa, Carberry and Souris.

MSN is a partnership among health, education, business and the communities of western Manitoba. These partners include:

- *Health* – Brandon Regional Health Authority, South Westman Regional Health Authority and Marquette Regional Health Authority.
- *Education* – Assiniboine Community College, Brandon University and the Brandon School Division.
- *Business* – Brandon Chamber of Commerce and the Brandon Economic Development Board.

The goal of the MSN is to create an environment, which clearly demonstrates the benefits of new technology applications in rural communities. The applications will allow rural communities to receive the same economic and social benefits as their counterparts in larger centres by sharing technology and resources.

***SMART Winnipeg*** was established to assist and advise the Mayor of the City of Winnipeg in the goal of making Winnipeg a technically enabled community often referred to as a "Smart City." Operating as an independent organization, SMART Winnipeg works closely with Winnipeg's downtown revitalization authority CentreVenture Development Corporation, and the Province of Manitoba. Smart Winnipeg Inc, is governed by a Board of Directors and is co-chaired by representatives of the City of Winnipeg and the Province of Manitoba.

Smart Winnipeg is designed to:

- Broaden the reach in community connectiveness and broadband capability
- Provide an atmosphere where educational institutions can work together in developing new programs in market driven training and distant education, creating new opportunities for learning within and the ability to export training beyond traditional boundaries
- Give economic development departments the opportunity to combine resources, co-locate with educational institutes and become more accessible to the public and to entrepreneurs who are seeking ways to maximize human resources and technology
- Give new technology businesses a place to start and grow, with best practices of business incubation for innovative companies and assisted partnership-building on projects that provide new business opportunities.

There are a number of activities underway at Smart Winnipeg.

- Smart Winnipeg is currently designing a Fibre Build plan for the City of Winnipeg under the advice of CANARIE (MRnet) and commercial carriers.

- Cyber Village will be located in the Exchange District of downtown Winnipeg and provide new information and communication technology (ICT) industry entrepreneurs with the business incubation services they need to succeed along with access to the latest in technology and connectiveness.

- The Centennial Library will transform into itself into the Millennium Library. Leasehold improvements will make the library ready for 200 public access terminals, database applications will be built and the Computer Intranet will be installed by September 2001.

- The Manitoba Centre of Knowledge is intended to be a place where people can gather, in person or virtually, for information, knowledge, wisdom, guidance and universally supported resources. The plan includes a broad group of community, business, education and government stakeholders who see an opportunity to bring people together, to access, create and share information and opportunities.

**Senior Officials on Innovation**

Since January 1999 senior officials of the federal, provincial and territorial governments are meeting regularly to develop a strong innovation vision for western Canada based on a paradigm of co-operation. The territorial, provincial and federal governments in western Canada are working together to improve the prosperity and quality of life in western Canada by increasing the productivity of the west/north Canadian economy in key areas.

To build on the existing base of co-operation, the following strategic thrusts have been agreed upon:

- To enhance the competence and retention of the skilled workforce;
- To improve access to patient capital and improve the business climate;
- To accelerate the adoption of advanced manufacturing and production technologies; and
- To collaborate in developing and exploiting the innovation infrastructure and to enhance the degree of alignment of innovation priorities.

The senior officials have agreed to work on a number of initiatives. Manitoba will take the lead on improving university-related technology commercialization processes in western Canada, developing initiatives to address skill shortage issues and identifying transportation and logistics concerns that are hampering innovation in western Canada.

**Broadband Project Office**

In 1999, Council approved funding to the Manitoba Innovation Network (MIN) for the establishment of a Broadband Project Office for $375 thousand over a three-year period. The Office's mandate is to promote and guide broadband research and development within Manitoba. The objectives of the Office are to:

- Disseminate and promote broadband opportunities to Manitoba's business, research and education communities;
- Assist with and broker the development of innovative broadband applications;
- Facilitate the deployment, access and utilization of MRnet and CA*net3; and
- Invite applications to existing funding mechanisms, and assist in the development of new assistance programs, related to broadband application research, development and testing on high performance networks.

**SMARTpark**

Since the fall of 1996, the University of Manitoba has been working to develop a research park – also known as the SMARTpark – on 110 acres of land at its Fort Garry campus. The SMARTpark will focus on knowledge-based industries such as advanced materials and manufacturing technologies, information technology and telecommunications, pharmaceutical and agricultural biotechnology, and resource-based value-added products and processing. The SMARTpark will be instrumental in positioning Manitoba within the knowledge-based economy.

The development of the Park is staged in two phases. Phase I is the development of 50 acres and Phase II is the development of 58 acres. Phase I infrastructure and operation costs are $5.6 million. These costs represent what is needed to service the site (i.e. roads, drainage, water and sewage systems, and utilities) and the 18-month operating costs (i.e. common area maintenance, salaries and benefits for SMARTpark staff, marketing and property taxes). EITC approved $2.8 million in funding for SMARTpark with matching funding from the Federal Government.

## Small Projects

Supporting education and training initiatives for schools, businesses and individuals in the areas of science, technology and innovation are just a few examples where EITC provides support to the community. EITC provides funding for conferences, seminars, and research studies to numerous organizations across Manitoba. In 1999/2000, EITC supported 29 initiatives for a total of $91,600.

***Promoting science and technology to students***
Some of the most rewarding initiatives EITC supports furthers students' interest in the areas of science and technology. The *Manitoba Robot Games*, the National Screen Institute's *Movie Camp* and the University of Manitoba's *Workshop on Problem Solving* are three initiatives giving students hands-on experience in science and technology. Building robots to compete at the Manitoba Robot Games expanded students' creative and analytical skills. At Movie Camp aspiring filmmakers from ages 13 - 19, under the guidance of film professionals, learnt hands-on about the basics of film making and new media by creating their own videos. During the Workshop on Problem Solving, math students from Senior 2, 3 and 4 furthered their analytical abilities in the context of problem solving.

***Encouraging students to live, learn and work in Manitoba***
EITC supported the first *Manitoba: Place to Be - Place to Stay* conference. The conference brought together students from Senior 1 through 4 and Manitoba business leaders to learn from each other about future career opportunities, and the skill requirements needed to gain employment. Over 400 students and over 200 business people attended the conference.

***Showcasing research at post-secondary institutions***
*Showcase 2000* highlighted the research projects in the agricultural, food, and nutritional sciences at the University of Manitoba. It provided an opportunity for the members of the university and the community at large to see firsthand the leading edge agri-food research that is being conducted here in Manitoba.

## Transportation Centre of Excellence

A study has been initiated to identify enhancements to Manitoba's education, training and research capabilities in transportation and logistics that are required to support Winnipeg's evolving role as an internationally competitive gateway and hub. The study will focus on the requirements to establish Winnipeg as a "Centre of Excellence" in transportation and logistics education, training and research capabilities. The Winnipeg Chamber of Commerce is the lead agency in undertaking the study and EITC is a member of the steering committee.

**Invest Manitoba**

Invest Manitoba provides companies and investors with the opportunity to network and develop strategic partnerships at the annual Invest Manitoba *Venture Showcase*. The Showcase is designed to stimulate private investment in order to provide the financing support needed to develop products, enter export markets and grow quickly. Held annually since 1995, 64 companies have participated in the event, which attracts over 400 potential investors annually.

Every year, the event has grown as Invest Manitoba gains a reputation in the investment community as an event that highlights Manitoba's up and coming entrepreneurs. In the months that followed the events, a number of these companies achieved their investment goals or were in various stages of discussion with potential investors.

In 1997, Invest Manitoba expanded its focus to include more educational seminars and increased partnerships. Since then, education has become one of the most important components of the Invest Manitoba process. The *Art of Raising Capital* Seminar Series is an ongoing educational series designed to help small to medium-sized Manitoba businesses understand the complexities of raising capital. These seminars help move businesses through a process to become investor ready and provide the business with a foundation to build relationships with investors. All types of businesses attend the event and benefit from the seminars and speakers.

Since 1995, 12 seminars have been held with more than 500 small- to medium-sized Manitoba businesses attending in the seminars. Twenty organizations have co-sponsored the educational seminars.

Seminars in 1999/2000 include:

- Invest Manitoba *Venture Capital Showcase* - The *Venture Capital Showcase* was held in September 1999 in Brandon and Winnipeg. The *Showcase* provided entrepreneurs with an opportunity to hear from many of the province's investment capital firms and the growing number of options available for securing investment capital. Presentations were made by: the Business Development Bank of Canada (BDC), Crocus Investment Fund, Ensis Growth Fund, Manitoba Science and Technology Fund, Renaissance Capital Fund, Western Technology Seed Investment Fund and the Winnipeg Stock Exchange. Over 150 people attended the Winnipeg event and 80 people attended the event in Brandon.

- Succession Planning Seminar - BDC, KPMG and Invest Manitoba co-sponsored a Succession Planning Seminar. A number of speakers spoke on topics including the succession planning process, how to realize the value of your business and financing ownership succession.

- Investing in the New Economy - This event featured Chuck La Flèche, President and CEO, Momentum Health Information Systems, Thomas Waitt, Senior Vice-President, Nesbitt Burns, and William Watchorn, President and CEO, Ensis Management Inc. It provided an opportunity for investors and companies to hear about the opportunities and challenges of investing in the province's knowledge-based businesses.

Invest Manitoba has also partnered with Nesbitt Burns since 1997 to co-host the Manitoba Investment Forum. The purpose of the forum is to increase awareness of the many successful Manitoba-based firms available for individual investment. Attended by over 1,500 people each year, over 40 publicly traded companies and companies considering going public participated at the forum. The last Manitoba Investment Forum took place on Wednesday November 10, 1999.

The management of Invest Manitoba is co-ordinated by a Steering Committee comprised of representatives from the private and public sectors. A Working Committee made up of staff from EITC and Industry, Trade and Mines supports the Steering Committee.

## *EITC is encouraging innovation in education and training.*

### MindSet

The Manitoba Network for Science and Technology (MindSet) was established by EITC in 1998 to encourage and promote:

- Scientific and technological awareness, knowledge, ability and skills;
- Improved school-to-work transition in science and technology areas; and
- Innovation in science and technology.

MindSet's broad mission is to:

*"act as a catalyst to engage business, educational, governmental and non-governmental organizations in helping K-12 young people experience and embrace the excitement of science, technology, mathematics and innovation so that they can successfully contribute to and enjoy an innovative Canadian society."*

MindSet is a three-year EITC-sponsored initiative that provides year-round S&T awareness activities in Manitoba. Funding for MindSet was $180,000 and included support for a co-ordinator, communication initiatives, S&T open houses, increased focus on year-round activities and various community awareness activities.

Over the past two years MindSet has gained "brand-name" and national recognition for its programs and activities. As a result, the amount of cash and in-kind contributions from partners for year-round activities has increased from approximately $90 thousand in 1998/1999 to over $155 thousand in 99/00. Following is a list of some of MindSet's key initiatives and supported activities.

***Connaught Student Biotechnology Exhibition***
The Connaught Student Biotechnology Exhibition (CSBE) is a national program providing opportunity for high school students to carry on biotechnology research under the conditions found in industry. Students are invited to submit a research proposal to an expert panel that selects and funds each quality experiment for $200. Students are assigned mentors from academia and industry who have expertise in the area of the students' experiments.

***Innovators in the Schools***
The Innovators in the Schools Program is an initiative linking professionals from science and technology industries with teachers and students in the classrooms. The program has over 500 innovators on-call with professions in industries ranging from aerospace, agriculture and architecture to transportation specialists, weather forecasters and zoologists. These volunteers interact with students and encourage them to explore, discover, problem solve and choose careers in science and technology fields. Over the seven years of the program, the program has reached an average of 12,700 students per year.

***MentorNet***
EITC is a supporter of the MentorNet project initiated by Wardrop Business Solutions and Manitoba Education and Training. MentorNet is an energetic program designed to introduce Aboriginal students to new and exciting career opportunities via the Internet. The program provides students access to positive role models and exposure to different and unique careers in order to stimulate interest in staying in school and pursuing a better education. The focus is on exposure to high-tech, science and technology and business careers.

***Red Rover Goes to Mars***
*Red Rover Goes to Mars* is a Planetary Society exploration education experiment on the Mars Surveyor 2001 lander mission, providing students opportunities to participate in the process of operating the lander robotic arm and *Marie Curie* rover, as well as collecting data using the science instruments. In this project, students at schools and science centers operate model rovers equipped with digital imaging cameras on simulated Mars terrain using software and control box interfaces. The students can connect their sites to other sites over the Internet to tele-operate remote vehicles, simulating tele-operation used in planetary exploration.

***MindSet Web-Site***
The purpose of the MindSet web-site is to provide information about MindSet and its programs as well as to share general science information. The content of the web-site includes science sites on the Internet, listings of science and technology learning opportunities and materials created especially for MindSet. These include The Brain Game, which is an online science contest for students in Manitoba high schools and various lesson plans for topics related to the Manitoba schools' curriculum.

***Science and Technology of Entertainment***
Several activities have been developed with these ideas to be implemented throughout the year including New Media Master Classes for high school students who show interest and aptitude in the use of new media.

***Rural Science and Technology Network***
The formation of a Rural Science and Technology Network was undertaken to extend support in rural Manitoba for science and technology programming. In the past year, five communities were invited to organize science and technology activities that involved schools, libraries and at least one other partner.

***Partnership Projects***
Part of the philosophy of MindSet has been the need to develop other strong science and technology organizations such as the Science Council of Manitoba (SCM) and the Computer Education Coordinators of Manitoba. For the past several years, EITC has supported the SCM's Robotic Games through a growth phase which has included increasing numbers of entries, greater number of schools involved, and the success of Manitoba entries at regional events.

MindSet was established by the Standing Committee on Science and Technology which undertakes responsibilities for S&T matters including technology and innovation related policy and activities in Manitoba.

## Management's Discussion & Analysis

### Operating Results

The financial statements present the results for the year ending March 31, 2000. The statements have been prepared in accordance with generally accepted accounting principles.

The shortfall from operations in 1999/2000 was $39 thousand. This was $43 thousand better than planned. This shortfall was offset by a gain on the redemption of common shares in the amount of $434 thousand. As a result, the net gain for the year was $395 thousand.

### Year over Year and Budgetary Comparisons

***Revenue:***

In 1999/2000, revenue was $1,055.1 thousand and consisted of the provincial grant in the amount of $1,023.9 thousand and sundry revenue in the amount of $31.2 thousand. This was $2.4 thousand more than the previous year and $31 thousand over budget.

***Expense:***

Operating expenses in 1999/2000 were $1,093.8 thousand consisting of:

- $503 thousand in salaries;
- $313 thousand in activity expenditures;
- $108 thousand in building and office administration expenses;
- $106 thousand in printing, advertising, communication and travel expense;
- $64 thousand in fee and services.

This was an increase of $53 thousand over 1998/99 and $12 thousand under budget.

### Summary of Expenditures

**Salaries and Benefits - $503.4**

EITC staff costs provided salary funding for the Chief Executive Officer, Vice-President, three Project Managers, one Research Assistant, one Receptionist, half time administrative coordinator, and part time contract support.

**Council Activities - $312.9**

Council funded the following projects during the year:

MIN Business Plan - $50.0
Smart Communities - $45.0
University of Manitoba Industrial Chair - $25.0
Invest Manitoba - $23.6
Forums / Task Groups - $39.0
Small Projects - $91.6

**Operating - $108.6**

The major components of operating costs are purchased services ($59.0), postage, delivery and telephone ($19.1), advertising and promotion ($17.9), printing and stationery ($7.6) and professional services ($5.0).

**Travel, Training and Development - $61.3**

This includes travel costs of $38.0 and fees, memberships and conference expenses of $22.5.

**Building and Equipment - $107.5**

Building and equipment costs include $54.3 for office rental, $38.3 for computer expenses, $8.0 for amortization expenses, and $5.6 for equipment rental and repairs.

### Other Issues

***Manitoba Technology Centre***

On June 1, 1996, EITC entered into a public/private partnership with Enviro-Test Laboratories, a division of ETL Chemspec Analytical Limited (ETL). A new corporation, Manitoba Technology Centre Ltd. (MTC), was incorporated and certain assets of EITC, namely the assets of ESC, were transferred to MTC pursuant to an Asset Purchase Agreement. The

assets were transferred in exchange for 25 Class A Common Shares with a paid-up capital value of $25, 1,500,000 Class A Special Preferred Shares with a redemption and paid-up capital value of $875,000, and 1 Class B Special Preferred Share with a paid-up capital value of $1. Subsequent to the Asset Purchase Agreement, MTC issued 75 Class A Common Shares with a paid-up capital value of $75 to ETL. A Unanimous Shareholders Agreement between EITC and ETL sets out the rights and obligations in respect of the shares of MTC. The regular operations and management of MTC are the responsibility of ETL.

Each Class A Special Preferred Share was redeemable and retractable with one share cancelled for each dollar contributed or invested by ETL in equipment, facilities, management and marketing. The redemption amount of the shares was equal to the agreed value of ESC's contributed assets of $875,000 divided by 1,500,000 or $.5833 per share. As part of the Unanimous Shareholders Agreement, ETL was committed to contributing $1,500,000 over the first three years of the agreement.

All Class A Special Preferred Shares were redeemed prior to May 31, 1999.

On May 31, 1999, in accordance with the Unanimous Shareholders Agreement, MTC redeemed EITC's 25 common shares for $434,200.

## EIT Fund

Economic Innovation and Technology Council for period ending March 31, 2000.

| Projects | Project Approvals 1999/2000 $000 |
|---|---|
| **Broadband Project Office** | 375.0 |
| **Manitoba Century Summit** | 95.0 |
| **Manitoba Information Technology Industries** | 60.0 |
| **Science and Technology Awareness** | 180.0 |
| **SMARTpark** | 2,800.0 |

# ECONOMIC INNOVATION AND TECHNOLOGY COUNCIL

## FINANCIAL STATEMENTS

## MARCH 31, 2000

# Management Report

For the year ending March 31, 2000

The accompanying financial statements of the Economic Innovation and Technology Council are the responsibility of management and have been prepared in accordance with generally accepted accounting principles. These accounting principles have been applied on a basis consistent with that of the preceding year. In management's opinion, the financial statements have been properly prepared within reasonable limits of materiality, incorporating management's best judgement regarding all necessary estimates and all other data available up to June 1, 2000.

Management maintains internal controls to provide reasonable assurance of the reliability and accuracy of the financial information and that the assets of the Economic Innovation and Technology Council are properly safeguarded.

The responsibility of the Provincial Auditor is to express an independent, professional opinion on whether the financial statements of the Economic Innovation and Technology Council are fairly represented in accordance with generally accepted accounting principles. The Auditors' Report outlines the scope of the audit examination and provides the audit opinion.

On behalf of Management

John Clarkson
Vice-President

May 19, 2000

**ECONOMIC INNOVATION AND TECHNOLOGY COUNCIL**
648-155 CARLTON STREET, WINNIPEG, MANITOBA, R3C 3H8
TEL: (204) 945-5940 FAX: (204) 945-8229

*Office of the Provincial Auditor*

500 - 330 Portage Avenue
Winnipeg, Manitoba
CANADA R3C 0C4

# AUDITORS' REPORT

To the Legislative Assembly of Manitoba, and
To the Economic Innovation and Technology Council Members

We have audited the balance sheet of the Economic Innovation and Technology Council as at March 31, 2000 and the statements of revenue, expenditure and funds retained, the statement of Economic Innovation and Technology Fund revenue and grant expenditure and the statement of cash flows for the year then ended. These financial statements are the responsibility of the Council's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Council as at March 31, 2000 and the results of its operations and its cash flows for the year then ended in accordance with generally accepted accounting principles.

Susan E. Hay, CA
for the Provincial Auditor

Winnipeg, Manitoba
May 19, 2000
(except for Note 8, as to which the date is June 1, 2000)

## Economic Innovation and Technology Council — Exhibit A

## Balance Sheet

March 31

| | 2000 | 1999 |
|---|---|---|
| **Assets** | | |
| Current | | |
| Petty cash | $ 400 | $ 400 |
| Funds on deposit with Minister of Finance | | |
| Cash | 8,881 | 49,323 |
| Term deposits (and accrued interest) | 488,356 | 314,923 |
| Accounts receivable | | |
| Province of Manitoba | 895,699 | 744,798 |
| Other | 23,578 | 21,903 |
| Notes receivable (Note 3) | 103,067 | |
| Prepaid expenses | 8,978 | 47,499 |
| | 1,528,959 | 1,178,846 |
| Notes receivable (Note 3) | 331,133 | |
| Investment in Manitoba Technology Centre Ltd. (Note 4) | 1 | 26 |
| Capital assets (Note 5) | 18,204 | 24,505 |
| | $ 1,878,297 | $ 1,203,377 |
| **Liabilities** | | |
| Current | | |
| Accounts payable and accrued liabilities | | |
| Province of Manitoba | $ 6,000 | $ 6,000 |
| Other | 878,065 | 598,601 |
| | 884,065 | 604,601 |
| **Equity** | | |
| Funds retained (Exhibit B) | 994,232 | 598,776 |
| | $ 1,878,297 | $ 1,203,377 |

See accompanying notes to the financial statements.

## Economic Innovation and Technology Council

**Exhibit B**

## Statements of Revenue, Expenditure and Funds Retained

| Year Ended March 31 | 2000 | 1999 |
|---|---|---|
| Revenue | | |
| Province of Manitoba | | |
| Operating grant | **$ 1,023,900** | $ 1,023,900 |
| Sundry | **31,202** | 28,802 |
| | **1,055,102** | 1,052,702 |
| Expenditure | | |
| Operating expenses | **1,093,821** | 1,040,810 |
| (Deficiency) excess of revenue over expenditure from operations | **(38,719)** | 11,892 |
| Loss on disposal of capital assets | | (9,646) |
| Earned reduction in value of investment | | (182,477) |
| Gain on redemption of common shares (Note 4) | **434,175** | |
| Excess (deficiency) of revenue over expenditure | **$ 395,456** | $ (180,231) |
| Funds retained, beginning of year | **$ 598,776** | $ 779,007 |
| Excess (deficiency) of revenue over expenditure | **395,456** | (180,231) |
| Funds retained, end of year (Exhibit A) | **$ 994,232** | $ 598,776 |

See accompanying notes to the financial statements.

## Economic Innovation and Technology Council

**Exhibit C**

## Statement of Economic Innovation and Technology Fund Revenue and Grant Expenditure

Year Ended March 31

| | 2000 | 1999 |
|---|---|---|
| Revenue - Grant from Province of Manitoba (Note 6) | **$ 2,968,101** | $ 999,195 |
| Grant expenditure | **2,968,101** | 999,195 |
| Excess of grant revenue over expenditure/ funds retained | **$ -** | $ - |

See accompanying notes to the financial statements.

## Economic Innovation and Technology Council

**Exhibit D**

## Statement of Cash Flows

Year Ended March 31

| | 2000 | 1999 |
|---|---|---|
| Increase (decrease) in cash and funds on deposit | | |
| **Operating** | | |
| Excess (deficiency) of Council operations revenue over expenditure (Exhibit B) | $ 395,456 | $ (180,231) |
| Items not involving cash | | |
| Amortization | 8,034 | 8,955 |
| Loss on disposal of capital assets | | 9,646 |
| Earned reduction in value of investment in MTC Ltd. | | 182,477 |
| Gain on redemption of common shares in MTC Ltd. (Note 4) | (434,175) | |
| Net changes in non-cash working capital balances | | |
| Accounts receivable | (152,576) | (521,104) |
| Prepaid expenses | 38,521 | (231) |
| Accounts payable and accrued liabilities | 279,464 | 451,418 |
| Deferred revenue | | (8,725) |
| Increase (decrease) in cash from operations | 134,724 | (57,795) |
| **Investments** | | |
| Acquisition of capital assets, net | (1,733) | (18,586) |
| Cash applied to investing activities | (1,733) | (18,586) |
| Net increase (decrease) in cash | 132,991 | (76,381) |
| Cash and funds on deposit, beginning of year | 364,646 | 441,027 |
| Cash and funds on deposit, end of year | $ 497,637 | $ 364,646 |
| **Represented by:** | | |
| Cash | $ 400 | $ 400 |
| Funds on deposit with Minister of Finance | | |
| Cash | 8,881 | 49,323 |
| Term deposits | 488,356 | 314,923 |
| | $ 497,637 | $ 364,646 |

See accompanying notes to the financial statements.

# Economic Innovation and Technology Council
# Notes to the Financial Statements
March 31, 2000

## 1. Establishment of the Council and nature of operations

The Economic Innovation and Technology Council (EITC) was established by the Economic Innovation and Technology Council Act on September 1, 1992. Pursuant to the Act, the purpose of EITC is to foster economic development and to support economic restructuring and commercialization in technology so as to enable Manitoba to compete effectively in a global market economy. EITC's mission statement is "to promote and enhance a climate of innovation, entrepreneurship, and technological development that spurs responsible economic development for the benefit of Manitobans".

In addition, EITC has responsibility for the operation of the Economic Innovation and Technology Fund from which EITC may provide grants, loans, loan guarantees and incentives which further EITC's economic development objectives.

EITC is economically dependent upon the Province of Manitoba.

## 2. Significant accounting policies

### a) Basis of Reporting

The financial statements are prepared in accordance with generally accepted accounting principles.

### b) Capital assets

Capital assets are recorded at cost less Government grants received and accumulated amortization. Amortization is calculated on a straight-line basis at the following annual rates:

| | |
|---|---|
| Computer equipment | 33 1/3% |
| Furniture and fixtures | 10% |
| Equipment | 10% |

### c) Cash and funds on deposit

Cash and funds on deposit include cash on hand, balances with the Minister of Finance and short term deposits with original maturities of three months or less.

## 3. Notes receivable

The notes receivable arise from the redemption of EITC's common shares in Manitoba Technology Centre Ltd. (MTC) for $434,200 (Note 4), are non-interest bearing, and are payable in instalments as follows:

| | |
|---|---|
| June 1, 2000 | $ 103,067 (Note 8) |
| June 1, 2001 | 103,067 |
| June 1, 2002 | 103,067 |
| June 1, 2003 | 125,000 |

**4. Investment in Manitoba Technology Centre Ltd.**

Effective June 1, 1996, EITC discontinued its role in the operations of the Environmental Sciences Centre (ESC). Prior to June 1, 1996, the financial activities of ESC were reflected in the financial statements of EITC. On June 1, 1996, EITC entered into a public/private partnership with Enviro-Test Laboratories, a division of ETL Chemspec Analytical Limited (ETL). A new corporation, Manitoba Technology Centre Ltd. (MTC), was incorporated and certain assets of EITC, namely the assets of ESC, were transferred to MTC pursuant to an Asset Purchase Agreement in exchange for 25 Class A Common Shares with a paid-up capital value of $25, 1,500,000 Class A Special Preferred Shares with a redemption and paid-up capital value of $875,000, and 1 Class B Special Preferred Share with a paid-up capital value of $1. Subsequent to the Asset Purchase Agreement, MTC issued 75 Class A Common Shares with a paid-up capital value of $75 to ETL. A Unanimous Shareholders Agreement between EITC and ETL sets out the rights and obligations in respect of the shares of MTC. The regular operations and management of MTC are the responsibility of ETL.

As described above and as consideration for the transfer of ESC's assets and liabilities, Council acquired an investment in MTC as follows:

| | Subscription Price |
|---|---|
| 1,500,000 Class A Special Preferred Shares | $ 875,000 |
| 1 Class B Special Preferred Share | 1 |
| 25 Class A Common Shares | 25 |
| Total subscription price | 875,026 |
| Earned reduction in value of investment | (875,000) |
| Class A common shares redeemed (redemption price $434,200) | (25) |
| Carrying value | $ 1 |

Class A Special Preferred Shares

Each Class A Special Preferred Share was non-voting, redeemable and retractable on a semi-annual basis, with one share cancelled for each dollar contributed or invested by ETL in equipment, facilities, management and marketing. The redemption amount of the shares was equal to the agreed value of ESC's contributed assets of $875,000 divided by 1,500,000 or $.5833 per share. As part of the Unanimous Shareholders Agreement, ETL is committed to contributing $1,500,000 over the first three years of the agreement.

All Class A Special Preferred Shares were redeemed prior to May 31, 1999.

**4. Investment in Manitoba Technology Centre Ltd. (continued)**

Class B Special Preferred Share

The Class B Special Preferred Share is non-voting, retractable and redeemable at $1.00 per share.

Effective May 31, 1999, EITC has the option of retaining ownership of the Class B Special Preferred Share as long as it may wish and be entitled for so long as it holds this share to nominate one director to the Board of Directors provided that:

1. EITC no longer holds any common shares;

2. MTC continues to occupy premises owned by the Province of Manitoba; and

3. MTC has material contracts with the Province of Manitoba.

Common Shares

On May 31, 1999, MTC redeemed EITC's 25 common shares with a paid up capital value of $25 for $434,200.

The redemption price will be paid in instalments as disclosed in Note 3. Non-interest bearing promissory notes have been provided to EITC, and a gain on $434,175 resulting from this redemption has been recorded.

**5. Capital assets**

Capital assets owned by the Economic Innovation and Technology Council are summarized as follows:

| | Cost | Less Government Grants Received | Less Accumulated Amortization | **2000 Net Book Value** | 1999 Net Book Value |
|---|---|---|---|---|---|
| Computer equipment | $ 27,682 | $ | $ 20,654 | **$ 7,028** | $ 13,596 |
| Equipment | 15,524 | | 4,348 | **11,176** | 10,909 |
| Furniture and fixtures | 32,214 | 32,214 | | | |
| Total | $ 75,420 | $ 32,214 | $25,002 | **$ 18,204** | $ 24,505 |

### 6. Related party transactions

EITC is related in terms of common ownership to all departments, agencies and Crown corporations created by the Province of Manitoba. EITC enters into transactions with these entities in the normal course of business.

The Province of Manitoba provides access to a fund set aside for economic innovation initiatives. These funds are on deposit in the Fiscal Stabilization Fund and are available to fund EITC's Economic Innovation and Technology Fund. The original amount of this fund was $10,000,000. Up to March 31, 2000, $5,073,070, including $2,968,101 in the current year, has been expended by EITC and recovered from the Fiscal Stabilization Fund.

### 7. Pension plan

In accordance with the provisions of The Civil Service Superannuation Act, employees of EITC are required to contribute to the Civil Service Superannuation Fund at prescribed rates for defined benefits. EITC is required to make contributions equal to the amounts contributed to the Fund by employees. Under this Act, EITC has no further pension liability

### 8. Subsequent event

Subsequent to year-end, EITC received the first instalment of $103,067 from MTC.

## Economic Innovation and Technology Council
## Schedule of Expenses

**Schedule 1**

Year Ended March 31

| | 2000 | 1999 |
|---|---|---|
| Advertising and promotion | $ 17,910 | $ 14,068 |
| Amortization | 8,034 | 8,955 |
| Building maintenance | 8 | 932 |
| Computer | 38,348 | 21,867 |
| Council activities | 312,940 | 288,411 |
| Equipment rental and maintenance | 5,562 | 1,297 |
| Fees, memberships and conferences | 22,528 | 33,298 |
| Insurance | 1,182 | 1,029 |
| Library operations | 89 | 770 |
| Postage, delivery and telephone | 19,053 | 28,741 |
| Printing and stationery | 7,560 | 14,922 |
| Professional development | 649 | 2,598 |
| Professional fees | 5,000 | 4,000 |
| Purchased services | 59,018 | 48,284 |
| Rental and property tax | 54,353 | 55,030 |
| Salaries and benefits | 503,452 | 482,591 |
| Travel | 38,135 | 34,017 |
| | $ 1,093,821 | $ 1,040,810 |